ALAMEDA COUNTY hcd
Housing & Community Development

Lenders Manual

Mortgage Credit Certificate Program

Executive Summary

The Mortgage Credit Certificate (MCC) Program administered by the Alameda County Housing and Community Development Department (HCD) assists first-time homebuyers to qualify for mortgage loans by offering a dollar for dollar tax credit on their annual tax return, thereby lowering their tax obligation each year that they pay mortgage interest. This program has been in place since 1988, and used successfully to assist over 5,000 first-time homebuyers in the traditionally high-cost housing markets throughout Alameda County.

This manual provides the rules and requirement of the Alameda County MCC Program in depth. Lenders should review the entire manual before processing MCCs. The next three pages provide a summary of the program requirements, application process and program-related fees. These pages can be used as a quick reference for loan processors and agents. The summary includes the page number in the manual where you can find a more detailed explanation of each item. **Appendix A** includes definitions and answers to questions that are frequently asked about the MCC Program. **Appendix G** includes copies of all required forms.

The following phone numbers are for lenders only:

MCC Contact:	(510) 670-5246
MCC Fax:	(510) 670-6378
Email Address:	MCC@acgov.org
MCC Website Address:	www.acgov.org/cda/mcc_program

Table of Contents

Page

Executive Summary 2

CHAPTER I 5

A. GENERAL OVERVIEW 5

B. PURPOSE OF THE MCC PROGRAM MANUAL 5

CHAPTER II 6

A. OVERVIEW 6

B. APPLICANT ELIGIBILITY REQUIREMENTS 6

C. PURCHASE PRICE REQUIREMENTS 10

D. MORTGAGE REQUIREMENTS 11

E. FOCUS POLICIES 12

F. Qualified Census Tracts or Target Areas 12

G. FAILURE TO FOLLOW PROGRAM REQUIREMENTS 13

CHAPTER III 14

A. HANDLING PRIORITY 14

B. LENDER PARTICIPATON AND TRAINING 14

C. PROGRAM CHARGES AND FEES 14

D. REVOCATIONS 15

E. TRANSFER OF MCC FOR MORTGAGE ASSUMPTIONS 15

F. TRANSFERRING MCC APPLICATIONS TO ANOTHER LENDER 15

G. ASSIGNMENT OF MCC COMMITMENT FOR FUNDING 15

H. CHANGING PROPERTIES DURING MCC APPLICATION PROCESS 16

I. RESUBMISSION OF Mortgage Credit Certificate 16

APPLICATIONS RETURNED OR REJECTED 16

J. CHANGES IN CIRCUMSTANCES PRIOR TO CLOSING 16

K. AUDIT 17

L. CONFLICT OF INTEREST 17

CHAPTER IV 18

A. APPLICATION PHASE 18

B. CLOSING PHASE 21

C. MONITORING PHASE 23
CHAPTER V 24
RMCC Program Guidelines 24
APPENDIX A 29
Definitions 29
Appendix B 32
Answers to Frequently asked MCC Questions 32
APPENDIX C – INCOME DETERMINATION FACTORS 37
MCC Program – Income Determination Factors 37
APPENDIX E 41
APPENDIX G - ATTACHMENTS 43

CHAPTER I
Introduction to the MCC Program

A. GENERAL OVERVIEW

The Mortgage Credit Certificate (MCC) was authorized by Congress in the Tax Reform Act of 1984, the MCC Program is an alternative to mortgage revenue bond financing and provides financial assistance to "first time homebuyers" for the purchase of new or existing single-family Housing. In 1985, the State of California adopted legislation authorizing local agencies to make MCCs available in California. The Alameda County Housing and Community Development Department (HCD), has administered the MCC Program since 1989. The Participating Jurisdictions where allocations can be used are Alameda, Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Newark, Oakland, Pleasanton, San Leandro, Union City, and unincorporated Alameda County. This list may be amended periodically, and HCD will notify Lenders of any changes.

What is an MCC?

The MCC operates as in IRS tax credit. The MCC tax credit (20 percent of annual mortgage interest) reduces the federal income taxes of qualified Borrowers purchasing qualified homes, thus having the effect of subsidizing their payments.

What is the difference between a "tax credit" and a "tax deduction"?

A "tax credit" entitles a taxpayer to subtract the amount of the credit for their total federal income tax liability (or bill). A "tax deduction" on the other hand, is subtracted from adjusted gross income before federal taxes are computed.

CDLAC Requirements for this program:

In order for Alameda County to participate in this program, Alameda County must ensure that 40% of each allocation is issued to households that are 80% or below Applicable Median Family Income or Households that are in Qualified Census Tracts. Reports are submitted with each Allocation Application that details that the requirements have been met. HCD tracks this information, and we monitor compliance program wide.

B. PURPOSE OF THE MCC PROGRAM MANUAL

The purpose of this Program Manual is to describe the MCC Program and the requirements that must be met by Participating Lenders and MCC Applicants. All capitalized terms used herein are defined below in Section C. This document contains a description of the MCC Program requirements, processing procedures, and policies. MCC processing forms are included as attachments to this document. HCD may revise these guidelines from time to time. Lenders will be notified of all significant program changes. Appendix A includes definitions and answers to questions that are frequently asked about the MCC Program.

CHAPTER II

Federal Program Requirements

The MCC program is a tax-credit program and operates under rules of the IRS. As such, it is important to follow all of the rules of the program. We have listed the requirements below that are specific to lenders working with buyers.

A. OVERVIEW

The Applicant, Purchase Price and Loan underwriting requirements discussed in this section are incorporated in the MCC Program documents and forms that are contained as attachments to this Manual. All Applicants and other program participants must complete and sign the appropriate MCC Program documents and attest to their validity. The Lender will be required to submit a certification stating that, to the best of the Lender's knowledge, no material misstatements appear in the application and program documents. If the Lender becomes aware of misstatements, whether negligently or willfully made, HCD must be notified immediately. HCD will take appropriate actions to enforce program requirements, including revoking an MCC, putting a Lender on probation, or terminating a Lender from the Program for not following program guidelines.

The Lender must also be aware and inform the Applicant that penalties are provided by Federal and California law if a person makes a false statement or misrepresentation so as to participate in this program. In an attempt to ensure that all requirements are clearly presented, an Affidavit is required to each Applicant and must be completed and included in the MCC package submitted to HCD.

An MCC cannot be used with bond-financed mortgages, e.g., CalHFA or CalVet, a negative amortization loan or a variable loan. The MCC Program imposes no other restrictions on the type of financing arrangement the Lender uses except that Lenders must consider the value of the tax credit when qualifying Applicants for loans involving MCCs. The MCC Program allows the use of any fixed rate conventional mortgage instrument generally used in the conventional marketplace and places no restrictions on mortgage term or amortization methods, with the exception of Negative Amortization. Some secondary mortgage market participants have established underwriting policies for MCC-linked Loans.

B. APPLICANT ELIGIBILITY REQUIREMENTS

As with any conventional mortgage loan, the Applicant must meet credit and underwriting criteria established by the Lender providing the mortgage loan, taking into account the value of the MCC.

Based on applicable federal and state regulations, an Applicant must also meet the requirements listed below. These requirements may be adjusted from time to time. HCD will notify Lenders of any changes.

1. **First-time Homebuyer:** The Applicant may not have held Ownership interest in a Principal Residence in the three years prior to applying for an MCC. This requirement qualifies the Applicant as a "first-time homebuyer" under federal regulations. The MCC application includes an Affidavit that must be signed by the Applicant and notarized attesting that the Applicant had no present Ownership interest in a Principal Residence at any time during the three-year period prior to the date on which the mortgage for the MCC is executed. This must be verified by the Lender's examination of the Applicant's federal tax returns for the preceding three years, to determine whether the Applicant has claimed a deduction for mortgage interest or taxes on real property claimed as a Principal Residence.

   One of FHA's highest priorities is to assist homebuyers with the purchase of their first home. FHA tracks the number of first-time buyers assisted by our programs. Consequently, it is very important that the information is entered accurately in FHA Connection.

   In order to help lenders properly identify first-time homebuyers, we are clarifying the definition of what constitutes a first-time homebuyer. A first-time homebuyer is an individual who meets any of the following criteria:

   - *An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).*
   - *A single parent who has only owned with a former spouse while married.*
   - *An individual who is a displaced homemaker and has only owned with a spouse.*
   - *An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.*
   - *An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.*

   Note: *The following taxpayers do not qualify for the first-time homebuyer credit:*

   - *A homebuyer (or the homebuyer's spouse) who qualifies for the District of Columbia first-time homebuyer credit in the year of purchase or in any prior year*
   - *A homebuyer whose home was financed by the proceeds of tax-exempt mortgage revenue bonds*
   - *A homebuyer who is a nonresident alien*
   - *A homebuyer who disposes of the residence (or it ceases to be the taxpayer's (and spouse's) principal residence) before the close of a taxable year for which a credit otherwise would be allowable*
   - *A homebuyer who acquires their home by gift or inheritance*

- *A homebuyer who acquires their home from a related person (this includes spouses, ancestors, and descendants, but excludes siblings)*

2. **Applicant's Tax Returns:** Copies of the Applicant's last three (3) years signed federal tax returns (or acceptable alternative as described below) must also be submitted to HCD with the MCC applications. ***All copies of the tax returns submitted to HCD must have an original signature of the Applicant in blue ink.***

Applicant has required copies

a. If the Applicant can produce the signed 1040A, 1040EZ or 1040 federal income tax returns for the three preceding years, with all schedules which show no deductions for mortgage interest or real estate taxes for Principal Residence, these forms shall be submitted with the application. If the Applicant filed the 1040 Long Form and cannot produce an original copy of the signed tax returns, then the Applicant can request a copy of the returns from the IRS by using IRS Request Form 4506. The Applicant should allow approximately 45 days for the copies. ***The buyer can resign copies of tax returns in blue ink.***

Applicant does not have the required copies

a. If the Applicant has filed the short form 1040A or 1040EZ for the last three (3) years, and completes and signs the required Affidavits, but is unable to produce the signed returns, HCD will accept a letter from the IRS verifying the filing status of the Applicant. The letter should confirm that the Applicant filed the 1040A or 1040EZ for the years in question. The Applicant can request tax account information, which is available free of charge, from the local IRS office. This information will be provided on IRS Letter form 1722 and will include: (1) Name and social security number; (2) type of return filed; (3) marital status; (4) tax shown on return; (5) adjusted gross income; (6) taxable income; (7) self-employment tax; and (8) number of exemptions. If the address on the tax return filed is different than the current address, the Applicant should also provide a letter (signed by all Applicants) indicating that the previous return had been filed at a different address.

   The tax account information should be requested, in person, from the IRS office. The Applicant will not receive an immediate response but can expect a written reply within 15 days.

Applicant was not obligated to file taxes in the last three years

a. In the event the Applicant was not obligated to file federal income tax returns for any of the preceding three years, it will be necessary for the Lender to obtain from the Applicant a completed and signed Income Tax Affidavit (MCC 6) in place of (a) or (b) above, along with other program Affidavits. This document is to be submitted to HCD

with the Application. *(Please note that the MCC program is a Tax Credit and if the applicant does not have an ongoing tax liability, this program may not be best for the applicant)* The Income Tax Affidavit must be accompanied by documented proof that the Applicant was a renter during the specified period, i.e., notarized letter from the landlord or manager, canceled checks or rent receipts.

Applicant has not filed for preceding year

a. When an MCC application is submitted during the period between January 1st and February 15th, and the Applicant has not yet filed his or her federal income tax return for the preceding year with the IRS, HCD may, with respect to such year, rely on an Affidavit from the Applicant that the Applicant is not entitled to claim deductions for taxes or interest on indebtedness with respect to property constituting his or her Principal Residence for the preceding calendar year. The Affidavit must be signed by the Applicant and notarized, and forwarded to HCD with the Application. After February 15th, a federal income tax return for the preceding year must be included with the application.

Tax returns show deductions for rental property

a. If the tax returns indicate the Applicant took a deduction for mortgage interest or real estate taxes on property claimed not to be the Principal Residence, documentation would be required to show proof of rental, i.e., rent receipts, canceled checks.

3. **Principal Residence**: The Applicant must use the housing being purchased with the MCC-linked mortgage as a Principal Residence. The Lender must obtain from the Applicant, using the program Affidavits, a statement of the Applicant's intent to use the residence as his or her Principal Residence within 60 days after the MCC is issued. This Affidavit further states that the Applicant will notify the Lender and HCD if the residence ceases to be his or her Principal Residence.

4. **Household Income Limits**: Income limits are updated annually and defined by HUD. The income limit calculation method is defined below. Applicants must have an annual gross household Income not to exceed **$117,000** for 1 or 2 person households, or **$136,500** for 3 or more person households.

   Note: Forty Percent of the CDLAC's allocation will be reserved for households at 80% of area median income or lower. This would be $93,600 for 1 or 2 person households and $109,200 for 3 or more person households.

Calculation of income

a. Under the 1986 Tax Reform Act enacted October 1986, gross Income is calculated prospectively, by taking the Applicant's current gross monthly Income (at time of application) and multiplying this amount by twelve (12). Gross Incomes includes the amount, before payroll deductions of wages, salaries, commissions, fees, tips and

bonuses; dividends, wages, dividends and interests, including otherwise tax-exempt interest; alimony; public assistance; etc. See Appendix B for a listing of Income Determination Factors.

Information with respect to gross monthly Income may be obtained from available loan documents executed during the four-month period ending on the date of the closing of the mortgage, provided that any gross monthly Income not included on the loan documents must be included in determining gross monthly Income.

Whose income is counted

b. The gross qualifying income is pursuant to the HUD Section 8 Program guidelines and includes the combined Income of all members of the household (other than minors) who will both be living in the dwelling unit and liable on the mortgage, or for the payment of the mortgage. Income includes the income of both spouses, unless they are legally separated or divorced, and have filed for such status.

Calculating income in case of a co-signer or co-mortgagor

c. In the case of a co-signer, if a co-signer is to be liable on the mortgage and listed as a co-owner on the deed, his or her income is included in gross income calculations regardless of whether he or she is expected to live in the residence. If a co-mortgagor is not going to live in the
Residence, he or she does not have to meet the first-time homebuyer requirements. Income of a co-signer does not have to be included if the co-signer signs only the note or a separate personal guarantee, is not on the grant deed, and will not live in the residence.

C. PURCHASE PRICE REQUIREMENTS

The Applicant must comply with the following Purchase Price limits in order to qualify:

1. **For New (never previously occupied) Homes,** the maximum Purchase Price of housing unit and land may not exceed $802,721 for Non-Target and $981,103 for Target.

2. **For Existing (resale) Homes,** the maximum Purchase Price of the housing unit and land may not exceed $719,053 for Non-Target and $878,848 for Target.

The mortgage amount cannot exceed the maximum Purchase Price Limit. This limit may **be adjusted from time to time. HCD will notify Lenders of any changes by email. The** Purchase Price includes the cost of acquiring the residence excluding usual and reasonable settlement or finance costs, and excluding the value of services performed by mortgager in completing the acquisition of the residence.

Seller Affidavit

The Lender must obtain a Seller's Affidavit (MCC 5) executed by the seller which states that the Purchase Price requirements have been met. The Affidavit includes an itemized list of: (1) Any payments made by the buyer or for the benefit of the buyer; and (2) an estimate of the reasonable cost of completing construction of the residence if it is incomplete.

D. MORTGAGE REQUIREMENTS

1. **New Mortgage Requirement:** The IRS requires that a Mortgage Credit Certificate must be issued in conjunction with the acquisition of a new mortgage or land contract. The Lender must obtain from the Applicant, using the program Affidavits, a statement to the effect that the mortgage being acquired in connection with the Certificate will not be used to acquire or replace an existing mortgage or land contract.

2. **Prohibited Mortgages:** A Mortgage Credit Certificate shall not be used in direct or indirect connection with a qualified mortgage bond, a qualified veteran's mortgage bond a negative amortization loan or a variable mortgage rate loan. This includes the majority of CalHFA procedures. The Lender must obtain from the Applicant, using the program Affidavits, a statement to the effect that no portion of the financing for acquisition of the residence in connection with which the Certificate is issued is provided from a qualified mortgage or veteran's bond.

3. **No Interest Paid to Related Persons:** No interest on the Loan (or certified indebtedness) amount may be paid to a person who is a Related Person. The Lender must obtain from the Applicant, using the program Affidavits, a statement to the effect that no Related Person has or is expected to have, an interest as a creditor in the certified indebtedness amount.

4. **Transferability:** The MCC is not transferable. If the Loan or certified indebtedness is assumed by a subsequent purchaser, the subsequent purchaser may apply for a new MCC under certain circumstances:

    1. HCD must approve the assumption and issue a new MCC;

    2. The new MCC must meet all of the conditions of the original certificate including any changes in federal, state, and HCD regulations or policy that amend the requirements of the original certificate;

    3. The purchaser must reasonably demonstrate to the satisfaction of HCD that he/she has assumed the liability for the remaining balance of the certified indebtedness; and

    4. The Purchase Price must meet the Purchase Price requirements for an existing (resale) unit in order to comply with federal regulations.

E. FOCUS POLICIES

Some Participating Jurisdictions may establish guidelines that regulate the issuance of MCCs within their jurisdictions. These requirements are in addition to the general program requirements described above. The Focus Policies differ among the jurisdictions and are described in Appendix D. It is the Lender's responsibility to understand these Focus Policies and to ensure that only those Applicants who meet the guidelines for a given jurisdiction are processed. Focus Policies may be amended by HCD. HCD will provide written notice to all Participating Lenders if Focus Policies change.

F. Qualified Census Tracts or Target Areas

As defined by the Internal Revenue Code, Target Areas are census tracts in which 70% or more of the households have incomes which are 80% or less of the statewide median family income; or an area designated by the IRS an area of chronic economic distress. Pursuant to the regulations, HCD must reserve 20% of each MCC allocation for use in Target Areas, for the period of one year. If 20% of the MCCs are not issued in Target Areas after one year, the MCCs will be released for use anywhere in Participating Jurisdictions. The current (2017) target areas for the Alameda County MCC Program are listed below:

City of Alameda:	4276
City of Albany:	4204
City of Berkeley:	4220, 4225, 4227, 4228, 4229, 4231, 4236.02, 4237, 4240.01, 4240.02
City of Hayward:	4373, 4375, 4377.01, 4377.02
City of Oakland:	4007, 4010, 4013, 4014, 4015, 4016, 4018, 4022, 4024, 4025, 4026, 4027, 4028, 4029, 4030, 4034, 4035.01, 4053.01, 4054.01, 4054.02, 4055, 4057, 4058, 4059.01, 4059.02, 4060, 4062.01, 4062,02, 4063, 4065, 4070, 4071.01, 4071.02, 4072, 4074, 4075, 4084, 4085, 4086, 4087, 4088, 4089, 4090, 4091, 4092, 4093, 4094, 4095, 4096, 4097, 4101, 4102, 4103, 4105
City of San Leandro:	4331.03, 4331.04
Unincorporated Alameda County:	4339, 4340, 4355, 4356.01, 4362, 4369

Or,

Reserve 40% of each MCC allocation for households at 80% of area median income or lower. For the 2017 program year, 80% of area median income

is $93,600. These households can be anywhere in the county and do not have to be within the target areas.

Generally, to meet one of these CDLAC requirements, HCD has opted to target 40% of each year's allocation to households earning 80% of area median income ($93,600) in 2017 – call each year to learn about any changes).

G. FAILURE TO FOLLOW PROGRAM REQUIREMENTS

1. **Applicant Penalties:** The MCC may be automatically revoked if the Applicant fails to comply with program requirements. In addition, strict penalties may be imposed on any Applicant making a material misstatement, misrepresentation or fraudulent act on documents submitted to obtain an MCC. Any person making a negligent or materials misstatement or misrepresentation in any Affidavit or certification made in connection with the application for or the issuance of an MCC shall be subject to all applicable fines and penalties.

2. **Lender Penalties:** A Lender, whose agents fail to comply with program requirements may be put on probation, up to and including termination from participating in the program for repeated non-compliance. If a lender has several "branches" processing MCC certificates, then those branches not in compliance will be placed on probation until they are back in compliance. Repeated episodes of non-compliance are grounds for permanently terminating the "branch" or possibly the lender from participation in the MCC Program.

CHAPTER III

Alameda County Policies

The policies listed in this section are those of Alameda County, and are meant to implement IRS requirements or guidelines that pertain to how Alameda County implements the program. These policies illustrate how the program operates and are meant to provide clarity to the lender about the program. The MCC program is only successful with our lender partner's participation. Thank you.

A. HANDLING PRIORITY

All MCC applications will be processed by HCD on a first-come, first-served basis.

B. LENDER PARTICIPATON AND TRAINING

The cost of becoming a Participating Lender is $750, with an annual renewal of $300. Annually, HCD will host a Lender Training for the benefit of those who are working with purchasers and who want to learn about the program and how to apply. At the time of the training, Participating Lenders are encouraged to send at least one loan processor, loan agent, or other lending staff to the refresher course. **It is the Lender's responsibility to ensure that their staff is trained in the MCC requirements and procedures, please take advantage of the annual training.** To participate in the program, the Lender must submit form MCC1 (Lender Participation Agreement) along with the participation fee. Refer to program fees in the next section.

C. PROGRAM CHARGES AND FEES

1. ***Non-refundable Application Fee*:** Application fee of $500 payable to HCD in the form of a money order, cashier's check or Lender company check, and submitted with the application documents. No personal checks will be accepted. In addition, Lenders may charge the applicant seventy-five dollars ($75) for processing.

2. ***Extension Fee:*** If a Loan is not able to close within the 90- or 120-day Commitment period, an extension of 90 days may be obtained by notifying HCD and paying a $100 extension fee. There is no second extension allowed.

3. ***Re-Processing Fee:*** If a Commitment is allowed to expire*, there will be a $200 re-processing fee charged to obtain an MCC.

*without all documents submitted from the closing phase, no MCC will be issued. If Lender wants to try to revise their commitment, they can pay a $200 reprocessing fee and submit their full documentation to get their buyer the certificate.

4. ***Lender MCC Participating Fee:*** Each Lender and Broker will be charged an initial participation fee of $750. In addition, there is a $300 annual renewal fee to maintain the Participating Lender status. All loan officers are encouraged to participate.
5. ***Lender RMCC Participation Fee:*** Each Lender and Broker will be charged an initial participation fee of $750. In addition, there is a $300 annual renewal fee to maintain the Participating Lender status. All loan officers are encouraged to participate.
6. ***Program Manual Fee:*** Program manuals are provided at the time a Lender signs up. Periodic updates are available for download for free at our website located at: http://www.acgov.org/cda/hcd/mcc_program/index.htm.
   Manuals are also provided at the annual Lender trainings.

D. REVOCATIONS

1. Automatic revocation occurs when the residence for which the MCC was issued ceases to be the MCC holder's Principal Residence.
2. Automatic revocation occurs whenever the MCC holder is not in compliance with the requirements for a qualified MCC.
3. Revocation will occur upon discovery by HCD or a Participating Lender of any material misstatement, whether negligent or fraudulent.

E. TRANSFER OF MCC FOR MORTGAGE ASSUMPTIONS

The MCC is not transferable. A mortgage assumption associated with an MCC shall be treated as a new original MCC, and the procedure required in this Program Manual will be repeated. This will only be in effect as long as there is an ongoing program which is currently accepting applications.

F. TRANSFERRING MCC APPLICATIONS TO ANOTHER LENDER

If an Applicant has a pending MCC application and decides to change from one Participating Lender to another, HCD will honor the original application and all expiration dates as long as no information has changed and the new Lender verifies the application documents.

If the change occurs following the issuance of the commitment, the new Lender should notify HCD in writing that the change has occurred and submit a new Lender's Initial Certification (MCC 4). HCD will revise its records to reflect the new Lender.

G. ASSIGNMENT OF MCC COMMITMENT FOR FUNDING

If a Lender packages a loan with an MCC and assigns the Loan to another MCC Participating Lender for funding, the original Lender should forward to HCD, either prior to or with the close of escrow documents, a letter

Indicating the Loan has been assigned to the new funding Lender. HCD will revise its records to reflect the new lender. The MCC will be issued in the funding Lender's name. **The funding Lender is responsible for the required IRS reporting on that Loan.**

H. CHANGING PROPERTIES DURING MCC APPLICATION PROCESS

If an Applicant changes the property he/she/they are purchasing, either prior to or after issuance of the Commitment, the following documents should be revised and resubmitted to HCD to reflect the new property address and any change in mortgage amount.

- A new executed Sales Agreement
- Initial Application (MCC 2)
- Application Affidavit (MCC 3)
- Lender's Initial Certification of Applicant Eligibility (MCC 4)

HCD will reissue the Commitment (MCC 7) with the **original** expiration date.

I. RESUBMISSION OF Mortgage Credit Certificate

APPLICATIONS RETURNED OR REJECTED

HCD may return any incomplete application to the Lender for revision. Any resubmission must include all information which HCD has determined necessary for reconsideration, which is outlined in this manual and on the Alameda County HCD website: www.acgov.org/cda/hcd/mcc_program/index.htm

In the case of an application determined to be ineligible and denied by HCD, changes in the application that may make it eligible may be considered by HCD. Such packages may not be submitted for reconsideration for at least 30 days after the package has been rejected by HCD.

J. CHANGES IN CIRCUMSTANCES PRIOR TO CLOSING

1. **Changes in the Applicant's financial or marital status after issuance of Commitment, but prior to closing: The eligibility of an**

Applicant for an MCC is based upon the Applicant's current income. The MCC Program will issue the Commitment based on facts as they are verified as of the date the Commitment was issued. The Income verified for Commitment is valid as long as the Loan closes within four (4) months after the financial information was originally submitted and there are no additional sources of Income that were not previously reported.

If the Applicant's marital status changes after issuance of the Commitment, but prior to closing, the spouse must meet the homeownership requirements contained in the Application Affidavit and the Closing Affidavit, and the Lender must notify the MCC Program. Any additional spousal Income which increases the household Income previously declared must be considered and may affect the validity of the Commitment. Furthermore, any added source of Income received after the issuance of the Commitment, but prior to Loan closing, may be cause for revocation of the Commitment.

2. **Changes in homeownership status, purchase price and amount of mortgage loan after issuance of Commitment, but prior to closing:** If the Applicant acquires an Ownership interest in a Principal Residence prior to Loan closing, the Commitment shall be revoked.

   If the total Purchase Price of the residence purchased in connection with the MCC increases so as to exceed the Purchase Price limitations set forth herein, the Commitment shall be revoked.

   If the amount of the Loan increases, thereby causing an increase in the credit amount, the Commitment will be revoked if that increase in credit amount exceeds the aggregate MCC amount available to HCD. Lenders should check with HCD to determine whether there is sufficient MCC credit available.

3. **Other changes in circumstances after issuance of Commitment, but prior to closing:** The MCC Commitment is issued in reliance upon the Applicant's and Seller's Affidavits and the Lender's Certification that the requirements necessary for issuance of a qualified MCC have been met. The Lender must immediately notify HCD in writing of any change in the circumstances upon which the Commitment was issued. If any other change in the circumstance upon which the Commitment was issued occur so that the MCC to be issued will not meet the requirements of a qualified MCC, the Commitment will be revoked.

K. AUDIT

HCD retains the express authority to perform annual random audits of Participating Lender records pertaining to MCC loans.

L. CONFLICT OF INTEREST

No Mortgage Credit Certificate shall be applied for, processed by, or approved for an immediate family of a person who is in a decision making position relative to the MCC Program or the issuance of an MCC. Persons who are in a decision-making position include staff members of Participating Lenders who work with the MCC Program. The determination of potential conflict will be made by HCD on a case-by-case basis.

CHAPTER IV
Application Procedures

In general, Applicants may apply for MCCs in connection with an application for a mortgage loan to purchase a home. The MCC application must be completed in conjunction with an application for a mortgage to one of the Lenders participating in the MCC Program. **It is the responsibility of the Lender to explain the terms and conditions of the MCC Program to the prospective Applicant. HCD provides a PowerPoint presentation on its website to assist lenders in discussing the MCC with homebuyers. Feel free to download from the website.**

The MCC processing procedures are designed to coincide with standard mortgage loan processing and underwriting procedures. Recognizing that there are procedural variations among the Participating Lenders, the procedures outlined here are meant to serve as guidelines with respect to the sequence of events. However, all of the elements of the processing sequence outlined in this Manual must at some point be completed, regardless of sequence, by the Lender, HCD, Applicant, and seller.

The Alameda County Housing and Community Development (HCD) is the designated program administrator of the Mortgage Credit Certificates in Alameda County. HCD may delegate part of its administrative functions to Participating Lenders through the Lender Participation Agreement (MCC 1). Please see section "C - Monitoring Phase" for more information.

The MCC application process includes two phases, outlined in figure III-1. The following are detailed processing procedures for the MCC Program.

A. APPLICATION PHASE
Lender Responsibility

1. Lender explains MCC Program to Applicant, including the possible recapture penalty. Lender determines if Applicant is qualified for an MCC in Alameda County, based on preliminary indications of Income, Purchase Price, prior homeownership and other program eligibility requirements.

2. The MCC application process formally begins when the Lender submits an application package to HCD. The application package includes several program forms and other supporting documents. These items are explained in more detail below.

   MCC 2 (Application): The Application provides HCD with initial information about the Applicant and the transaction, including statistical data for record-keeping purposes. The Application also provides contact information of the Lender and Loan Officer. The MCC 2 lists all documents that are required to insure that the Lender will send in a complete application package.

MCC 3 (Applicant Affidavit): During the initial interview, it is the responsibility of the Lender to explain the terms and conditions of the MCC Program to the prospective Applicant, and to make sure that the Applicant receives a copy of the MCC Application Affidavit.

The Applicant Affidavit presents certain facts to the prospective Applicant concerning the restrictions, regulations and prohibitions of the MCC Program - as well as to explain the penalties for misuse of the Program. It is imperative that the prospective Applicant understand the terms and conditions contained in this form. The Applicant must sign the affidavit and it **must be notarized**. The certifications in the affidavit include:

a. Certification that residence will be used as Principal Residence and that MCC Applicant must notify HCD when the home ceases being the Principal Residence of the MCC holder.

b. Certification that Applicant has not had an Ownership interest in a Principal Residence during the preceding 3-year period.

c. Certification that Purchase Price does not exceed Purchase Price limits.

d. Certification that this is a New Mortgage Loan, as defined in Internal Revenue Service regulations.

e. Certification that the Loan applied for does not constitute a Prohibited Mortgage.

f. Certification that the Application was not forced to apply through a particular Lender.

g. Certification that Applicant's income does not exceed permitted Income Limits.

h. Certification that no interest is being paid to a Related Person.

i. Acknowledgement that the MCC cannot be transferred without the prior written approval of HCD in accordance with program requirements.

j. Acknowledgement that any material misstatement or fraud is made under penalty of perjury and if so found HCD will revoke the MCC.

MCC 4 (Lender's Initial Certification): This form certifies that the Lender has performed reasonable investigation to make the determination mandated by the MCC Program. In addition, the Lender certifies that all HCD, federal and state eligibility requirements are satisfied and that the Lender's loan fees are reasonable relative to the fees charged by that Lender on other non-MCC mortgage loans.

MCC 12 (Recapture/Disclosure Summary): The Lender must have the Applicant sign the Recapture/Disclosure Summary, and explain to the Applicant that recapture is an IRS rule that may increase the amount of tax paid when a house finance with an MCC is sold. The amount of recapture depends on how long the house is owned before selling, the owner's income for the year of sale, and the amount of gain from the sale. If the house is sold more than nine years after the closing date, there are no additional taxes. (See Appendix C)

Purchase Agreement: An executed copy of the Contract of Sale must be submitted with the MCC Application as evidence of the purchase agreement and its terms between the MCC Applicant and the seller.

Income Verification: The two consecutive paycheck stubs prior to submittal of the application must be included in the application package. If the paycheck stubs are not deemed sufficient for the MCC Program, a Verification of Employment (VOE) form may be requested.

Application Fee: The application fee for the MCC is $500, payable to the Alameda County Housing and Community Development Department. The application fee must be submitted in the form of a money order, cashier's check, or Lender's company check. Personal checks and/or cash will not be accepted. Lenders may charge the MCC Applicant $75 separate from the application fee.

Federal Tax Returns: Copies of the last three years tax returns are submitted to verify that the Applicant has not held an ownership interest in a Principal Residence within the past three years. Copies must have a new original signature (in blue ink) by the Applicant.

MCC 6 (Income Tax Affidavit): Summaries the last three years of Income and in the event the Applicant was not obligated to file federal income tax returns for any of the preceding three years, it will be necessary for the Lender to obtain from the Applicant a completed and signed Income Tax Affidavit, along with the other program Affidavits. This document is to be submitted to HCD with the Application. The Affidavit must be accompanied by documented proof that the Applicant was a renter during the specified period, i.e., notarized letter from the landlord or manager, canceled checks or rent receipts. This form must be notarized.

MCC Homebuyer Escrow Instruction – Original goes to the title company with a copy to the MCC Program. Instructions must be signed by the Title Company.

HCD Responsibility

1. HCD reviews the MCC Applications for completeness, and determines whether all necessary certifications and Affidavits are included and have been property executed. This is done on a first-come, first served basis.

2. If HCD determines that the MCC Application is completed properly and that the Applicant and the home are in compliance with program requirements, HCD issues an MCC Commitment (MCC 7) to the Lender stating that the Application is approved and HCD is preparing to issue an MCC Certificate (MCC10) upon confirmation of the mortgage closing, so long as there are no material changes from time of the issuance of the Commitment and so long as the mortgage is closed after the Commitment is issued and before it expires.

   HCD will notify Lenders within 5-10 working days that either a Commitment will be issued or that the Application is incomplete. For existing homes, the Commitment is valid for 90 days; for a new home, the Commitment is valid for 120 days.

3. If the application is not complete, HCD will email the lender with a cc to the potential homebuyer requesting the missing items. Once the lender and homebuyer have **completed all requests outlined on the email and** provided the missing documentation, HCD will review a second time to define if a commitment can be made.

   If the missing items are not sent by the Lender within 2 weeks, the application package will be returned to the Lender. Lenders may resubmit the application, but at this point have lost their place in line should there be more requests for funding than is available.

4. Once the application is deemed complete, and the buyer and the home meet all requirements, HCD will issue a Commitment for an MCC (MCC 7 Form). This commitment is good for 90 days (or 120 days in the case of purchasing a brand new home). The commitment earmarks the credit for the homebuyer. Once the commitment is made, the buyer may complete the purchase and close escrow on their home. **NOTE: HCD cannot issue the actual Certificate (an MCC 10 form) for a loan that is closed before the Commitment (MCC 7 form) is issued. Do not close the loan and purchase the property prior to receiving the MCC Commitment (MCC 7 form)**

B. CLOSING PHASE

Lender Responsibility

1. After the Commitment (MCC 7) is issued, the escrow may close. Once the escrow is closed, the lender has 90 days to submit the closing documents before the commitment expires. If more time is needed to close a loan or submit the documents, the Lender may extend an existing Commitment for another 90 days by notifying HCD in writing and paying a $100 extension fee. No second extension is allowed. **It is the Lender's**

responsibility to ensure that loans are closed within the Commitment period. A $200 reprocessing fee is required to issue the Certificate (MCC 10 form) for expired Commitments (MCC 7 form).

The MCC closing documents are executed by the Applicant, Lender, and seller at the close of escrow (and some forms must be notarized) and submitted to HCD. These items are explained in more detail below.

Within 10 (10) business days of loan closing, Lender will submit the MCC Closing Documents to HCD.

MCC 14 (Closing Transmittal Form): This form is a check list of needed documents for the Closing Phase and must be submitted along with the Closing documentation.

MCC 5 (Seller Affidavit): This form must be signed by the seller and notarized. It attests that the Purchase Price requirements have been met, and includes an itemized list of any payments made by the buyer or for the benefit of the buyer, and an estimate of the reasonable cost of completing construction of the residence if it is incomplete. **Without this Affidavit signed by the seller, no MCC can be issued. This form must be notarized.**

MCC 8 (Closing Affidavit): This Affidavit must be signed by the Applicant and **notarized**. It certifies that there have been no materials changes in the Applicant's status that would disqualify Applicant from the program.

MCC 9 (Lender's Closing Certification): This form certifies that the Lender has performed reasonable investigation and is not aware of any materials changes in the Applicant's status that would disqualify Applicant from the program. **This form must have original signatures and must be notarized.**

Settlement Statement: A copy of the HUD-1 Settlement Statement is required with the closing documents to verify closing of the escrow. **The name of the Lender on the HUD-1 must match the name of the Participating Lender that originated the MCC Application – it MUST be stamped certified. If the loan has been assigned to another Participating Lender an assignment letter is required.** A sample assignment letter can be found in **Appendix E.** It can also be downloaded online at: http://www.acgov.org/cda/hcd/mcc_program/forms/MCC%20ASSIGNMENT%20LETTER.pdf

2. During the Closing Phase, Lender must immediately notify HCD in writing of cancellations of Commitments. The reason for cancellation much be clearly stated.

HCD Responsibility

1. HCD reviews close of escrow documents and checks file to ensure all necessary documents have been received. Upon approval, HCD issues the Mortgage Credit Certificate (MCC 10) and sends copies directly to the Applicant and Lender. The Applicant also receives a letter explaining generally how to use the Certificate and a copy of IRS Form 8396 to be filed by the Applicant with Federal Income Tax Returns. A link to this form is also located on our website for Homeowners future reference.

2. If the Lender and Applicant fail to submit closing documents, HCD will email both to tell them their deadline is quickly approaching. As mentioned previously, an extension to the commitment is $100 – and a re-application fee is $200. It is critical that the Lender track submission of closing documents.

C. MONITORING PHASE

Lender Responsibility

1. The Lender must file a report with the IRS, using IRS Form 8329, for any year in which an MCC-assisted Loan is originated.

2. For six years, the Lender must retain:

   a. Name, mailing address and TIN (social security number) of the MCC holder.

   b. Name, mailing address and TIN (tax identification number) of the Issuer. The Issuer is Alameda County, the address is 224 W. Winton Avenue, Room 108, Hayward, CA 94544-1215, and the TIN is 94-6000501.

   c. Date of Loan (date of issuance), certified indebtedness amount, and credit rate. The credit rate is 20% (twenty percent).

3. Lender informs HCD of any fraudulent acts or misstatements made by an Applicant in relation to an MCC-assisted Loan.

HCD Responsibility

1. HCD will file quarterly and annually reports with the IRS.

2. HCD will file reports with California Debt Limit Allocation Committee and apply for additional allocation of funding as allowed.

3. HCD will revoke an MCC if an Applicant fails to comply with program requirements.

CHAPTER V
RMCC Program Guidelines

The County of Alameda offers a Reissued MCC (RMCC) Program for homeowners who are refinancing their MCC-assisted mortgages. **There are no income limits for the RMCC Program, but the following guidelines do apply:**

- Applicant must own a home which they originally financed with the assistance of the Alameda County Mortgage Credit Certificate Program;

- Applicant must still live in the home;

- Refinanced Loan cannot be provided through CALHFA, Cal-Vet, or other bond programs;

- Refinanced Loan does not have to be through a Participating Lender in the Alameda County Mortgage Credit Certificate Program.

- Refinanced amount may be greater than the original mortgage, but the amount of tax credit the Applicant is entitled to is limited to the amount they would have been entitled to with their original MCC;

- The term of the RMCC is the same as the term of the original MCC (e.g., if the original Loan would have been fully paid off until after that date), and it will also terminate if the house ceases to be their Principal Residence;

- The nine-year period of potential Recapture tax with the original MCC continues to be in effect during the period of the RMCC, and ends nine years after the closing of the **original** MCC Loan;

- An Applicant may refinance as many times as they would like, however the MCC must also be reissued for **each** refinance; and

- The non-refundable RMCC application fee is $750.

The following picture of the RMCC form is provided as both a sample and the check list of information that is needed to have a complete application. You may also use this to transmit your documents to HCD.

RMCC 1

REISSUED MORTGAGE CERTIFICATE TRANSMITTAL FORM
LENDER CHECKLIST

DATE: _____

TO: ALAMEDA COUNTY REISSUED MORTGAGE CREDIT CERTIFICATE PROGRAM

FROM (Lender Name):_____

RE (APPLICANT NAME):_____

All of the following documents are enclosed, or the Application will be returned.

☐ Money Order, Cashier's Check, or Lender Company Check for $750, payable to Alameda County MCC Program. **(NO PERSONAL CHECKS WILL BE ACCEPTED)**

☐ Copy of existing Mortgage Credit Certificate currently held by applicant(s). If Applicant does not have a copy, the County can provide a duplicate for a fee of $25. **(NO PERSONAL CHECKS WILL BE ACCEPTED)** ☐ **(**Check here if you have enclosed payment for this service.

☐ All Reissued Mortgage Credit Certificates currently held by applicant(s). If Applicant does not have copies, the County can provide duplicates for a fee of $25 for each RMCC. **(No personal checks will be accepted.)** ☐ **(**Check here if you have enclosed payment for this service.

☐ RMCC 2 - Reissued Mortgage Credit Certificate Application Affidavit. This Affidavit must be signed by the applicant(s) and be **notarized**.

Documents from "Original Loan" and "First Refinance"

☐ Copy of the original note and copy of original Deed of Trust from property purchase. If applicant does not have a copy, they should contact the Title Company that handled their original loan.

☐ HUD-1 Settlement Statement for original loan. (Payoff of the original loan that purchased the Property).

Documents from Current Refinancing

☐ Copy of Preliminary Title Report with respect to new Loan (refinance)

☐ Copy of new loan application, (1003A)

☐ Copy of Note and Deed of Trust for new loan.

☐ HUD-1 Settlement Statement for new loan, **certified.**

Listed above are the items needed in order for Alameda County to reissue the MCC. It will take approximately 30 days for Alameda County to process the application. **Do not submit an application until you have all of the items above.** An incomplete application will only delay the issuance of the RMCC and may result in a returned application. **Please note that the application fee is non-refundable.**

IF THESE ITEMS ARE NOT RECEIVED, THE RMCC WILL NOT BE ISSUED WITHOUT ALL ITEMS!!

RMCC ISSUANCE

Once a RMCC application is approved, a RMCC is issued. Below is a sample of a RMCC.

COUNTY OF ALAMEDA
Housing and Community Development Department
Mortgage Credit Certificate Program
224 W. Winton Avenue, Room 108
Hayward, California 94544
(510) 670-5246 / (510) 670-6378 FAX

RMCC NO.: **RMCC00-01701**

Name of Applicant(s): **NOUROT, T.**

MORTGAGE CREDIT CERTIFICATE - *REISSUANCE*

For purposes of this Certificate, the term "Old Loan" means the refinanced loan; provided, if there is a series of refinancing, the Old Loan is only the original loan in the series. Additionally, the term "Existing Mortgage Credit Certificate" means the certificate allocable to the Old Loan.

1. This Reissued Mortgage Credit Certificate RMCC No. **RMCC00-01701** (Reissued Mortgage Credit Certificate) reissued on **2/9/2015** entirely replaces MCC No. **COU2008-00015** Original MCC # (the 'Original Mortgage Credit Certificate') originally issued on **3/30/2009**, by the County of Alameda, California (the Alameda County): TIN No. 94-6000501. The original MCC No. **COU2008-00015** is hereby made null and void.
2. This Reissued Mortgage Credit Certificate is issued by the County of Alameda, Housing and Community Development Department, 224 W. Winton Avenue, Room 108, Hayward, CA 94544.
3. This Reissued Mortgage Credit Certificate is issued to:

Last Name of Holder(s) of Existing Mortgage Credit Certificate	Last Name of Holder(s) of Existing Mortgage Credit Certificate	SS# of Holder(s)
NOUROT	TIANNA	123-45-6789

4. This Reissued Mortgage Credit Certificate shall entitle Holder(s) to an annual credit (the A Reissued Credit) as described below and in Exhibit A.

   The certified Indebtedness Amount for this Reissued Mortgage Credit Certificate is **$366,819.77** [which is the balance of the original loan (the "Original Loan")]. The Credit Rate for this Reissued Mortgage Credit Certificate is 15% which is the same as the Credit Rate on the existing Reissued Mortgage Credit Certificate. The new loan consists of financing received from:

   NAME OF LENDER: **Bank of America - AZ**

   ADDRESS OF LENDER: **2595 W. Chandler Blvd. Bldg C, Chandler, AZ 85224**

   NEW LOAN AMOUNT: **$376,850.00**

   Because the Certified Indebtedness Amount of this Reissued Mortgage Credit Certificate is less than the principal amount of the New Loan, the Credit allowed in each calendar year with respect to this Reissued Mortgage Credit Certificate will be equal to the lesser of: 1) the amount of interest paid on the New Loan during that calendar year times the Credit Rate of 15% times 97.34% (the Certified Indebtedness Amount divided by the original principal balance of the New Loan) and, 2) the amount set forth for that calendar year on Exhibit A.
5. This Reissued Mortgage Credit Certificate is reissued to the Holder(s) of an Existing Mortgage Credit Certificate (or Reissued Mortgage Credit Certificate) with respect to the same property (the "Residence") to which the Existing Mortgage Credit Certificate (or Reissued Mortgage Credit Certificate) relates. This property is located at:

   123 Union Street, Hayward, CA 94545
6. This Reissued Certificate meets the requirements of:
   a. Temporary IRS Regulation Section 1.25-3T (d) relating to residence requirement;
   b. Temporary IRS Regulation Section 1.25-3T (e) relating to relating to 3-year requirement;
   c. Temporary IRS Regulation Section 1.25-3T (i) relating to prohibited mortgages;
   d. Temporary IRS Regulation Section 1.25-3T (j) relating to particular lenders;
   e. Temporary IRS Regulation Section 1.25-3T (k) relating to allocations to particular developments;
   f. Temporary IRS Regulation Section 1.25-3T (n) relating to interest paid to related persons; and
   g. Temporary IRS Regulation Section 1.25-3T (p) relating to rules regarding the exception in the case of refinancing mortgages.
   h. Final IRS regulations relating to rules regarding the Reissuance of Mortgage Credit Certificates effective December 15, 1996; and
   i. Section 143 (f) relating to the income requirements.
7. The New Loan was closed (recording date) on: **11/20/2014**
8. This Reissued Mortgage Credit Certificate is effective as of the date the New Loan was closed, and shall EXPIRE upon the earlier or revocation, repayment of the certified indebtedness amount of the New Loan (including by sale or refinance, including and deemed "refinancing" as a result of an alteration of the terms, including an extension of maturity or change in interest rate, of the New Loan), or transfer of ownership in the Residence or when the Residence ceases to be the principal residence of the Holder(s). This Reissued Mortgage Credit Certificate may not be transferred. In no event may the Term of the Reissued Mortgage Credit Certificate extend past the maturity date of either the Old Loan (and the last loan in a series of refinancing) or the New Loan.

   Date of Final Payment of the Original Loan is: **2/1/2039**

   Date of Final Payment of the New Loan is: **12/1/2044**
9. If the County becomes aware that a material misstatement, whether negligent or intentional has been made in application for this Reissued Mortgage Credit Certificate, this Reissued Mortgage Credit Certificate shall be revoked. Further, if such material misstatement shall be due to fraud, this Reissued Mortgage Credit Certificate shall automatically be null and void without need for further action on the part of the County. Under penalty of perjury, I hereby declare that to the best of my knowledge and belief the determinations required by the Temporary Regulations, as identified in paragraphs 6, 7 and 8 of this certificate, have been made.

COUNTY OF ALAMEDA MCC PROGRAM

HCD Program Manager — Date: 2/9/2015

RMCC - Section 4

Because the Certified Indebtedness Amount of this Reissued Mortgage Credit Certificate is less than the principal amount of the New Loan, the Credit allowed in each calendar year with respect to this Reissued Mortgage Credit Certificate will be equal to the lesser of: 1) the amount of interest paid on the New Loan during that calendar year times the Credit Rate of 15% times 97.34% (the Certified Indebtedness Amount divided by the original principal balance of the New Loan) and, 2) the amount set forth for that calendar year on Exhibit A.

The amount of Credit taken each year is based on the following two tables:

1. The amount of interest paid on the New Loan during that calendar times the Credit rate of 15% times 97.34%

Name	Tianna Nourot	
Address	224 W. Winton Ave., Hayward, CA	
RMCC Number	RMCC-00-1701	
1st refi 2/5/2015		
The Certified Indebtedness amount for this Reissued Mortgage Credit Certificate is (the outstanding principal balance of the first MCC loan at the time of pay off)		$366,819.77
The new Loan Amount is		$ 376,850.00
Because the certified Indebtedness Amount for this Reissued Mortgage Credit Certificate is less than the principal amount of the New loan, the Credit allowed in each calendar year with respect to this Reissued Mortgage Credit Certificate will be equal to the lesser of the amount of interest paid on the New Loan during that Calendar year times the Credit Rate of 15%		97.34%

and

2. The amount per calendar Year on Exhibit A.

Old Loan Information		
Enter last name, first name of first owner:	**Tianna Nourot**	
Enter last name, first name of second owner:		
Enter Original Loan Amount:	**$ 366,820**	new HCD-1 - ending balance of original loan
Enter Original Interest Rate:	**4.88%**	old note
MCC Credit Rate	**15.00%**	MCC
Was original loan variable rate? (y or n):	**n**	
Enter date of first loan payment for original loan (mm/dd/yyyy):	**4/1/2009**	old note
How many years from first payment to last for the original loan?:	**30**	old note
New Loan Information		
Enter New Loan Amount:	**$ 376,850**	new note
Enter A.P.R. of New Loan Rate (if applicable):	**4.13%**	new note
Enter date of new loan closing (mm/dd/yyyy):	**11/20/2014**	new HUD-1

Exhibit A

Below is the table that would be attached to the RMCC. This table reflects the maximum amount of credit that can be taken each year.

Maximum MCC Tax Credit For Each Year of Reissued Loan

I/we, the undersigned, understand that the maximum MCC credit we can take in each year is listed on this table, and that to claim more would be a violation of the Internal Revenue Code. Any interest I/we pay on our loan above the amount on this table may be taken as a homeowner interest deduction.

Year	Credit
2014	$ 2,448
2015	$ 2,396
2016	$ 2,341
2017	$ 2,284
2018	$ 2,223
2019	$ 2,160
2020	$ 2,094
2021	$ 2,024
2022	$ 1,950
2023	$ 1,873
2024	$ 1,793
2025	$ 1,708
2026	$ 1,619
2027	$ 1,525
2028	$ 1,427
2029	$ 1,324
2030	$ 1,216
2031	$ 1,102
2032	$ 983
2033	$ 858
2034	$ 726
2035	$ 588
2036	$ 443
2037	$ 291
2038	$ 132
2039	$ 7
2040	$ 0
2041	$ 0
2042	$ 0
2043	$ 0
2044	$ 0
	$ 37,536

Tianna Nourot 9-Feb-15

MCC Certificate Holder Date

MCC Certificate Holder Date

APPENDIX A
Definitions

As used and where capitalized in this MCC Program Manual and all MCC program documents, unless the context requires otherwise, the following words and terms have the meaning set forth below:

Affidavit: An affidavit filed in connection with the program made under oath and subject to penalties of perjury and attested to by a notary public.

Applicant: Any person or persons who apply for an MCC under the program.

Commitment: A commitment from HCD to issue an MCC in conjunction with a New Mortgage Loan. A Commitment must be issued prior to loan closing.

Date of Issue: The date the Mortgage Credit Certificate is signed and executed by HCD.

Eligible Applicant: Any person meeting the criteria for an eligible applicant set forth in this manual that is in the process of securing financing for the purchase of a Principal Residence.

Eligible Dwelling: Real property located in Participating Jurisdictions, including New or Existing Homes, and which meets the criteria set forth in Chapter II of this Manual.

Existing Home: A dwelling unit that has been previously occupied prior to Loan commitment.

Focus Policies: Policies which may be established by some Participating Jurisdictions that regulate the issuance of MCCs in those jurisdictions. These may be changed from time to time. Current policies are listed in Appendix D.

HCD: The Alameda County Housing and Community Development Department.

Income: Income of the mortgagor(s) (as defined by Revenue ruling 86-124 promulgated by the Internal Revenue Service) is the mortgagor's annualized gross income. Annualized gross income is gross monthly income multiplied by twelve (12). A more detailed definition is included in Chapter II.

Issuer: The County of Alameda, acting through its Housing and Community Development Department.

Loan: An extension of credit to which a Mortgage Credit Certificate applies, provided to an Eligible Applicant to finance the purchase of an Eligible Dwelling which meets the requirements set forth in this Manual.

MCC Program: The Mortgage Credit Certificate Program established by Participating Jurisdictions in Alameda County and administered by the Alameda County Housing and Community Development Department pursuant to the rules and regulations included in the MCC Program Manual.

Mortgage Certificate Rate: The rate specified by HCD in the Mortgage Credit Certificate. For all MCCs in the Alameda County Program, the Mortgage Certificate Rate is 20%.

Mortgage Credit Certificate (MCC): A certificate issued by HCD pursuant to Section 25 of the Internal Revenue Code of 1986, as amended, and as governed by applicable state and local requirements.

New Home: A dwelling unit that is proposed to be constructed, currently under construction, or existing but not previously occupied.

New Mortgage Loan: A mortgage originated in conjunction with an MCC; a mortgage that has not been transferred or assumed. A New Mortgage Loan cannot be closed prior to receiving a Commitment for an MCC.

Ownership: Any of the following interests in residential real property:

- Fee simple interest
- Joint tenancy
- Tenancy in common
- Interest of a tenant-shareholder in a cooperative
- Life estate
- Interest held in trust for the Applicant that would otherwise constitute Ownership if held directly by the Applicant.

Ownership does not include a remainder interest, a lease with or without an option to purchase or any interest acquired on the execution of the purchase contract.

Participating Lender: A mortgage lender or mortgage broker who has completed the MCC lender training and has entered into a Lender Participation Agreement with HCD. All lenders and brokers processing MCCs must be Participating Lender**.** RMCC's may be submitted by Participating and non-participating Lenders.

Principal Residence: (1) A single family house; (2) a condominium unit; (3) stock held by a tenant-stockholder in a cooperating housing corporation (as those terms are defined in the Internal Revenue Code Section 216(b)(1) and (2); and (4) any manufactured home (including a mobile home) as defined under federal law which is of a type customarily used at a fixed location. Principal Residence does not include recreational vehicles, campers and other similar vehicles. It does not include property such as an appliance, furniture or other personal property, which

under applicable local law, is not a fixture. The Applicant must expect to occupy the Principal Residence substantially all of the year.

Prohibited Mortgage: A qualified mortgage bond, a qualified veteran's mortgage bond, or a negative amortization loan.

Purchase Price: The cost of acquiring the residence excluding usual and reasonable settlement or finance cost, and excluding the value of services performed by mortgager in completing the acquisition of the residence.

Recapture: Recapture is an IRS rule that may increase the amount of tax paid when a house financed with an MCC is sold. Appendix C includes an example of how recapture may be calculated.

Related Person: Siblings, spouses, ancestors and lineal descendants, or entities that are more than 50% owned by the Applicant or any other Related Persons.

Single-Family Residence: A housing unit intended and used for occupancy by one household.

Target Area: A census tract in which 70% or more of the households have incomes which are 80% or less of the statewide median family income or an area designed as an area of chronic economic distress as defined by the Internal Revenue Service.

Appendix B
Answers to Frequently asked MCC Questions

What is an MCC?

The Mortgage Credit Certificate is a certificate issued by HCD, which authorizes the holder to receive federal income tax credit benefit. The qualified Applicant who is awarded an MCC can take an annual credit against federal income taxes of up to twenty (20%) of the annual interest paid on the applicant's mortgage. The value of the MCC must be considered by the mortgage lender when qualifying the Applicant for a New Mortgage Loan. The Applicant may adjust his or her Federal Income Tax withholding to reflect the value of the MCC, which results in increased income, and therefore, an increased ability of the Applicant to afford a mortgage payment.

What is the difference between a "tax credit" and a "tax deduction"?

A "tax credit" entitles a taxpayer to subtract the amount of the credit from the total federal income taxes owned, resulting in a dollar-for-dollar savings. A "tax deduction" is subtracted from the adjusted gross income before federal income taxes are computed. With a deduction, only a percentage of the amount deducted is realized in savings.

How does the MCC "reduce" the mortgage interest rate?

An Applicant with a five percent (4%) fixed rate 30-year mortgage of $450,000 would pay approximately $17,856 in interest payments during the first year of the mortgage. With a twenty percent (20%) MCC, up to $3,571 (20% of $17,856) of the payments would be allowed to be taken as a tax credit towards the Applicants federal tax liability. This would effectively reduce the monthly mortgage payment, giving the Applicant greater liability to qualify for and support a mortgage. As shown in the illustration below, the MCC effectively reduces the interest rate. It is important to realize, however, that that total effect is achieved only when the MCC holder has sufficient income tax liability to receive the entire of the MCC tax credit.

(cont'd. on next page)

TABLE I-1 Effective Interest Rates with and without an MCC

	Without MCC	**With MCC**
First Mortgage Amount	$450,000	$450,000
Sample Mortgage Interest Rate	4%	4%
Terms (years)	30	30
Avg. Monthly Interest 1st yr	$2,148	$2,148
Mortgage Credit Certificate Rate	N/A	20%
Avg Monthly Credit Amount 1st yr	N/A	$298
"Effective" Monthly Interest 1st Yr	$2,148	$1,850
Savings 1st Year of Loan		$3,571
Savings for Life of Loan*		$63,768
*based on a 30-year loan		

What is the value of the MCC?

If an applicant has a five percent (4.0%) fixed rate 30-year mortgage of $450,000, over the 30-year life of the mortgage the homeowner will pay $323,412 in interest. Because the MCC is a tax credit of 20% of the total interest paid, the MCC value over 30 years is equal to 20% of the interest paid, or $63,768. **See Exhibit F for annual savings**.

What happens to the tax deduction for mortgage interest if the Applicant uses the MCC?

When using the MCC tax credit the Applicant is still eligible to deduct the remaining 80% of the annual mortgage interest payment not claimed as a credit. In the above example, in addition to the $3,571 tax credit, the remaining $14,285 (80% of the $17,856) could be taken as the standard mortgage interest deduction.

How does the MCC Credit work?

The MCC reduces the amount of federal income taxes otherwise due to the federal government from the Applicant. However, the benefit to the homeowner cannot exceed the amount of federal taxes owed for the year, after other credits and deductions have been taken into account. Therefore, the IRS will not actually make a cash payment if the credit is larger than the amount of taxes owed.

What happens if a qualified homebuyer cannot use the entire amount of the MCC credit in any one year?

If the amount of the MCC credit exceeds the Applicant's tax liability, the unused portion of the credit can be carried forward for the next three tax years or until used, whichever comes first. The current credit is applied first and the "oldest" credit is used next.

How Does a Homebuyer Apply for a MCC?

A Mortgage Credit Certificate can be obtained through a Participating Lender. A list of Participating Lenders can be obtained from the Alameda County Housing and Community

Development Department (HCD). A lender may participate in the MCC Program only after completing an HCD-sponsored training session. There is no allocation of Mortgage Credit Certificates by Lender. Lenders will work with Applicants on a first-come, first-served basis in conformance with program guidelines described below.

The Applicant applies for a Mortgage Credit Certificate at the same time he or she makes a formal application for a mortgage loan. This is done after the buyer and seller have signed a purchase agreement. When applying for the MCC, the Applicant will need to supply credit information, employment data, and other normal underwriting information to the Lender.

After determining an Applicant's preliminary eligibility for an MCC, Lenders, will charge a non-refundable fee to process the MCC application. Upon submittal by the Lender of the MCC application and fee, HCD will review it. If the application is complete and the Applicant is qualified, HCD will issue a Commitment of an MCC for the Applicant. The Commitment must be issued before the Loan is closed, if HCD cannot issue a Mortgage Credit Certificate. After Commitment is issued, the loan may be closed. Upon receipt and verification of the closing phase documents, HCD will issue the Certificate.

What kinds of properties are eligible?

An MCC may be used for new (never previously occupied) or Existing Homes including: single-family detached homes, condominiums and mobile homes on permanent foundations. Two or more unit properties are not eligible under the Alameda County Program. Additionally, the residence being considered for financing must become the Applicant's permanent Principal Residence within a reasonable time after the financing has been executed.

What Loans can be used with MCC?

MCC can be used with conventional fixed-rate loans, FHA and VA loans and privately insured loans. MCC's are not available with bond-backed loans such as California Housing Finance Agency (CALHFA) or California Veteran's Affairs (CalVets) loans, with refinancing loans, with negative amortization loans or with adjustable rate loans

HCD does not underwrite the mortgage loans. Lenders will process the underlying mortgages using standard procedures, taking into account the value of the MCC in qualifying Applicants.

Can I use MCC with an "expanded interest" loan?

The expanded interest only loan allows for payments to be based on interest only for the first couple of years. Given that the MCC regulations don't have any rules about how principal is amortized, as long as the resident qualifies and there are no negative amortization this type of loan allowable.

What are the MCC eligibility requirements?

The MCC eligibility requirements may change from time to time as IRS regulations are revised. HCD will notify current Participating Lenders when changes are made via email.

- *3-Year Requirement: The MCC applicant cannot have had Ownership in a Principal Residence at any time in the three years preceding the date of application for an MCC.*

- *2017 Income Requirements: In order to qualify for an MCC, the Applicant's housing Income must be below the following limits.*

1 or 2 person household:	*$117,000*
3 or more person household:	*$136,500*

- *Purchase Price Requirements: The Purchase Price of the house must be below the following amounts.*

Non-Target

- *$719,058 for an existing home*
- *$802,721 for a new home*

Target

- *$878,848 for an existing home*
- *$981,103 for a new home*

Why do I have to use a Participating Lender?

HCD requires that the Lender be approved to ensure that they have gone through the training program and understand the IRS requirements that they are responsible for.

What is Recapture?

Recapture is an IRS rule that may increase the amount of tax paid when a house financed with an MCC is sold. The amount of the recapture depends on how long the house is owned before selling, the owner's income for the year of sale, and the amount of gain from the sale. If the house is sold more than nine years after the closing date, there are no additional taxes. All MCC Applicants must read and sign both a Recapture Notice and a Disclosure Summary certifying that they have been informed of the Recapture provisions. Appendix C contains an example of how recapture is calculated.

What if a person buying the home separately from his/her spouse?

Because California is a "community property" state, the MCC Program must consider the income of both spouses unless they are legally separated or divorced and have proof that they have filed for that status. This rule applies regardless of whether the couple is living together, or if they intend to hold the deed "sole and separate" from the spouse.

How many people is someone who is pregnant?

As allowed by HUD rules, a woman who is more than three months pregnant can be counted as two persons for income determination purposes. A doctor's letter is required to confirm the pregnancy.

What if the Seller's Affidavit (MCC 5) is not signed by the seller(s) prior to them moving to an unknown location?

The Mortgage Credit Certificate (MCC10) cannot be issued without this document. Therefore it is of utmost importance to have this document signed at close of escrow. It is the Lender's responsibility to ensure that this document is signed, notarized and retained for submission to HCD.

Per Alameda County's Counsel, an affidavit from the Seller is required in order to get the benefit of the "good faith compliance" rules. If you decide to waive the Seller's Affidavit and it turns out that there was an agreement to pay the Seller more than the purchase price limit (but this agreement was hidden by the buyer) or if the Seller did any additional work and got paid for it by the buyer and that causes the acquisition price to be too much it would not only cause this MCC to be invalid but could (in theory) jeopardize the entire Alameda County MCC Program because it did not meet the "good faith compliance" rules.

How does refinancing work with MCC?

The County of Alameda offers a Reissued MCC (RMCC) Program for homeowners who are refinancing their MCC-assisted mortgages. In order for homeowners to continue receiving their MCC credit, they must apply for and receive a RMCC. If the owner refinances and chooses not to apply for an RMCC the MCC holder loses their MCC. For additional information, see Attachment 13.

How long after I close my refinance do I have to submit the RMCC paperwork?

HCD will accept RMCC application up to three years after the loan closing as long as a subsequent refinance has not occurred.

However, while the County will process the refinance of your mortgage which includes a Mortgage Credit Certificate (MCC), given the lateness of the application submission of the required documentation, the County cannot provide any comfort that IRS will treat this as being timely issued and allow you to continue receiving the MCC credit.

What if I refinance with a Lender who is not on an Alameda County MCC Participating Lender?

It is recommended that a Participating Lender be used when refinancing your loan since they are trained in the MCC and RMCC's process. It is not however not a requirement of the Program. Any Lender may be used to refinance your loan.

How long does the County retain my MCC information?

HCD is required to retain the MCC application for six years after the expiration of the original MCC.

APPENDIX C – INCOME DETERMINATION FACTORS

MCC Program – Income Determination Factors

The Program' maximum income limit is set by the Internal Revenue Service. To determine eligibility, the gross income of the Applicant(s) is compared to the Program's maximum income limit. In determining gross income, the combined income of all members of the household (other than minors), who will be living in the dwelling unit, and/or liable on the mortgage, or for the payment of the mortgage, must be computed.

1. **Gross income shell be determined without deductions for the following:**

    a. Funds paid into a tax shelter retirements account
    b. Child support payments by an Applicant for the benefit of the Applicant's child or children
    c. Alimony, separate maintenance, or similar periodic payments that an Applicant is required to make to a spouse o former spouse.

2. **Gross income shall include, but not be limited to, all of the following:**

    a. The gross amount, before payroll deductions, or wages and salaries; overtime; commissions, fees, tips; bonuses, gambling winnings and prizes; and other compensation for personal services.
    b. The net income from the operation of a business or profession or from the rental of real property. For this purpose, any shareholder that owns ten percent or more of any outstanding class of stock in a corporation, shall also be deemed to have received income in its proportionate share of net earnings not otherwise distributed in salaries or dividends.
    c. All dividends and interest, including other tax-exempt interest.
    d. The full amount of periodic payments received from social security, housing assistance payments, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts.
    e. Payments in lieu of earnings, such as employment and disability compensation, worker's compensation and severance pay.
    f. The full amount of public assistance payments.
    g. Periodic and determinable allowances, such as alimony and separate maintenance payments received, housing allowances received, and regular contributions or gifts received from persons not residing in the dwelling, where such sums are received or a recurrent basis and which may be reasonably expected to continue.
    h. The distributive share of partnership income.
    i. Child support payments received by an Applicant for the benefit of the Applicant's child or children.

j. All regular pay, special pay and allowances or a member of the Armed Forces (whether or not living in the dwelling) who is the head of household or spouse (or other persons whose dependants are residing in the unit).

3. Gross income does not include:

a. Casual, sporadic, or irregular gifts
b. Amounts which are specifically for, or in reimbursement of, the cost of medical expenses.
c. Lump-sum additions to household's assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation; capital gains and settlements for personal or property losses.
d. Amounts of educational scholarships paid directly to the student or to the educational institution and amounts paid by the government to a veteran, for the "cost of attendance" at an educational institution. "Cost of attendance", covers not only tuition, fees and books and equipment, but also amounts for supplies, transportation, miscellaneous expenses and for materials. (Non-school-related veteran's benefits are included in income calculations).
e. Foster child care payments
f. The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977, 7 U.S.C., Sections 2011 and 2027, which is in excess of the amount actually charged to the eligible household.
g. Payments to volunteers under the Domestic Volunteer Service Act of 1973.
h. Payments of allowances made under the Department of Health and Human Services' Low-Income Home energy Assistance Program.
i. Payments received from the Job Training Partnership Act.
j. Income from employment of children (including foster children_ under the age of eighteen years.
k. For purposes of determining gross income of household, the annual calculation is determined to be annualizing the Applicant's current income from all sources as outlined above. Lender must have certified the Applicant's income within four months prior to the date of the loan closing.

4. <u>Assets</u>

Federal law requires that the calculation of gross income include all interest earned on assets. The following is intended to assist the Lender in deriving the value of assets for federal law purposes.

<u>Does the Applicant:</u>

a. Have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles)?

b. Have they disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than the fair market value?

c. If the answer to (a) or (b) above is yes, does the combines total value of all such assets owned or disposed of by all such persons total more than $5,000?

d. <u>If the answer to (c) above is yes, state;</u>

   1) The combined total value of such assets;

   2) The amount of income expected to be derived from such assets in the unit that is proposed for purchase $_____; and

   3) The amount of such income, if any, that was included in Gross income in the previous page (Item 2); $_____.

e. Subtract d.(3) from d.(2)_____. If this number is greater than zero (0), it must be included in determining gross income.

APPENDIX D - RECAPTURE

Your Tax Advisor can best advice on how to calculate Recapture if you sell your home before the end of the required period. Information on Recapture provided here is not meant to be advice, nor should it be used instead of discussing this issue with a qualified professional.

A. Maximum Recapture Tax

The maximum recapture tax that you may be required to pay as an addition to your federal income tax is **6.25%** of the highest principal amount of your mortgage loan and is your "federally subsidized amount" with respect to the loan.

B. Not subject to Recapture:

The MCC-assisted homeowner is **not subject to recapture** under the following conditions:

- The homeowner owns the home and lives in it for more than nine (9) years.
- The home is disposed of as a result of the Home-owners death.
- The home is disposed of at a loss.

C. Subject to Recapture: When the home-owner **meets both** of the following conditions:

- Home-owner sells or dispose of their home at a gain within the first 9 years after the date they closed their mortgage loan; and
- Home-owner's income for the year of disposition is more than that year's qualifying income for family size, adjusted for that year.

APPENDIX E
FOCUS POLICIES

As of May 1995, the City of Berkeley focus policy is:

City of Berkeley: MCC-assisted purchase cannot displace tenants.

Note: On a annual basis, Participating Jurisdictions may elect to use their MCC allocation on specific projects. It is the Lender's responsibility to check to see if MCC's are available in the jurisdiction where your homebuyer is purchasing a unit prior to submission of the MCC package to HCD.

EXHIBIT F

Annual Savings

Value of MCC over 30 years

YEAR	Credit	Year	Credit	Year	Credit
1	$3,571	11	$2,793	13	$1,633
2	$3,507	12	$2,697	14	$1,490
3	$3,439	13	$2,597	15	$1,341
4	$3,369	14	$2,492	16	$1,185
5	$3,297	15	$2,384	17	$1,023
6	$3,221	16	$2,271	18	$855
7	$3,142	17	$2,153	19	$680
8	$3,060	18	$2,031	20	$497
9	$2,975	19	$1,904	21	$308
10	$2,886	20	$1,771	22	$110

The total value of the MCC over the life of the loan is:

$63,768

APPENDIX G - ATTACHMENTS

First-Time Homebuyer MCC Forms

http://www.acgov.org/cda/hcd/homeownership/mccprogram/lenders-only.htm